

Message Text

PAGE 01 NATO 01618 01 OF 02 302356 Z

63

ACTION EUR-25

INFO OCT-01 NEA-10 ADP-00 SS-14 NSC-10 CIAE-00 PM-09

INR-10 L-03 NSAE-00 PA-03 RSC-01 PRS-01 GAC-01

USIA-12 TRSE-00 MBFR-03 SAJ-01 EB-11 COME-00 OMB-01

ACDA-19 RSR-01 /136 W

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FM USMISSION NATO

TO SECSTATE WASHDC 9580

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INFO DA WASHDC

CDRUSAMC ALEXANDRIA VA

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USCINCEUR VAIHINGEN GER

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CHUSNAHALO PARIS

CHMAAG ATHENS

ACHMAAG BONN

CHMAAG COPENHAGEN

CHMAAG ROME

CHMAAV THE HAGUE

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 1618

E. O. 11652: GDS, 31 MAR 79

TAGS: MARR, NATO

SUBJECT: PROPOSED US POSITIONS FOR NATO- HAWK BOARD OF

DIRECTORS (BOD) MEETING, 9-13 APRIL 1973

SECDEF FOR ODDR- E; OASD(I& L)- MESSRS CLAUSSINIUS & WEISSMAN;

ASD(ISA) DA FOR OASA (I& L) AND DCSLOG(MS- SBI)

USMICOM FOR AMCPM- HA

USCINCEUR FOR MAD AND J-4

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PAGE 02 NATO 01618 01 OF 02 302356 Z

USAREUR FOR AEGD- MR- MM AND USAMICOM FLD OFC

(AMCPM- HAI- EUR- MAJ ROBERTSON

ROME FOR CH, ARMY SECTION

REFS: A. HMO/2.2.0/0920/73 (DRAFT), 26 FEB 73

B. HMO/2.2.02/0749/73- R/89, 12 FEB 73

C. SECSTATE 020140 DTG 021515 Z FEB 73

D. USNATO 1355 DTG 171230 Z MAR 73

1. BEGIN SUMMARY. THIS MESSAGE PROPOSES THE US POSITION FOR THE NATO- HAWK BOARD OF DIRECTORS MEETING IN PARIS, 9-13 APRIL 1973. US BOARD MEMBER (COL LYNCH) REQUESTS APPROVAL AND/ OR ALTERNATIVE GUIDANCE. PRINCIPAL ITEMS OF US INTEREST ARE THE ACTIONS TO BE TAKEN BY THE BOD WITH RESPECT TO THE NATO- HAWK EUROPEAN LIMITED IMPROVEMENT PROGRAM (HELIP), AND THE PROPOSED DEFERRAL OF US ACTION TO RECOVER THE US PORTION OF THE MAINTENANCE FLOAT ASSOCIATED WITH THE BASIC NATO- HAWK PROGRAM. US INTERESTS MAY BEST BE SERVED BY US DROPPING RECOVERY ISSUE ENTIRELY. END SUMMARY.

2. THIS PARAGRAPH TREATS ONLYHSPECIFIC AGENDA ITEMS IN WHICH THE US HAS A CONTINUING DIRECT INTEREST IN NATO- HAWK. OTHER ITEMS WILL BE NOTED DURING THE BOD MEETING AND REPORTED AS APPROPRIATE.

A. ITEM 1 - APPROVAL OF THE SUMMARY RECORD OF THE PREVIOUS MEETING. PROPOSE TO APPROVE.

B. ITEM 2.1 - INDUSTRIAL OFFERS. NO US DIRECT PARTICIPATION, BUT THIS ITEM IS THE MOST IMPORTANT ISSUE FOR THE APRIL MEETING. BEST ESTIMATE OF THE SITUATION AT THIS TIME IS THAT THE BOD WILL ELECT NOT TO MAKE A DECISION ON THE OFFERS AS SUBMITTED BY TELEFUNKEN- AG AND RAYTHEON. PROBABLY THE GENERAL MANAGER WILL BE DIRECTED TO REQUEST NEW PROPOSALS WHICH WILL REFLECT AN APPROXIMATE 50:50 SPLIT OF THE WORK EFFORT BETWEEN EUROPE AND THE US. IF THE BOD SHOULD CHOOSE TO DECIDE BETWEEN THE US AND EUROPEAN OFFERS AS THEY STAND, THE CONTEST IS TOO CLOSE TO CALL. RAYTHEON HAS AN ADVANTAGE IN COST AND GUARANTEED MISSILE PERFORMANCE. TELEFUNKEN- AG HAS THE POLITICAL- ECONOMIC ADVANTAGE OF REPRESENTING A CONSORTIUM OF EUROPEAN NATIONAL FIRMS.

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PAGE 03 NATO 01618 01 OF 02 302356 Z

C. ITEM 5.2 - ANY OTHER BUSINESS. INFORMATION AVAILABLE INDICATES THAT SHARING- OUT OF THE MAINTENANCE FLOAT ASSOCIATED WITH THE BASIC NATO- HAWK PROGRAM WILL BE DISCUSSED UNDER THIS ITEM. MISSION PROPOSES TO DEFER ANY US COMMENT/ POSITION ON THIS ITEM. SPECIFICALLY, THE US REP THE BOD REQUESTS RESCISSION OF THE INSTRUCTIONS IN REF C WHICH DIRECTED US REP TO INITIATE RECOVERY ACTION AT THE APRIL MEETING. RATIONALE FOR THIS POSITION IS OUTLINED IN THE FOLLOWING PARAGRAPH.

3. THERE ARE SEVERAL COGENT REASONS FOR THE US TO DEFER ANY RECOVERY ACTION AT THIS TIME.

A. RECOVERY ACTION, IN ANY CASE, SHOULD NOT BE DIRECTED TO THE GENERAL MANAGER. BILATERAL RECOVERY ACTION WITH EACH NATION -- DENMARK, GREECE, AND ITALY -- WILL BE NECESSARY. THEREFORE, ALL THE US REP COULD DO AT A NATO- HAWK BOD MEETING IS TO REPORT THE INTENT OF THE US TO TAKE SUCH ACTION, AND AT LATER MEETINGS REPORT PROGRESS, COMPLETION, OR TERMINATION OF THE ACTION AS MAY BE APPROPRIATE.

B. THE APRIL BOD MEETING IS AN INAPPROPRIATE OCCASION FOR THE US REP TO BRING UP THE MATTER IN VIEW OF THE DELICATE BALANCE BETWEEN THE EUROPEAN AND US OFFERS FOR HELIP. ALTHOUGH THE BOD MAY MAKE NO DECISION AT THE APRIL MEETING AND MAY REQUEST NEW PROPOSALS, THIS IS NOT A CERTAINTY. THE US SHOULD AVOID PERTURBING THE EXISTING SITUATION.

C. IF SOME COMMENT FROM THE US REP IS REQUESTED, A SIMPLE EXPLANATION THAT WE ARE " STILL STUDYING THE PROBLEM" WILL BE SUFFICIENT AND SHOULD EVOKE NO UNFAVORABLE REACTIONS.

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PAGE 01 NATO 01618 02 OF 02 310023 Z

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C O N F I D E N T I A L SECTION 2 OF 2 USNATO 1618

4. THERE IS A LESSER CASE (AS RECOMMENDED EARLIER BY USNATO AND CONCURRED IN BY DA DCSLOG) FOR TAKING NO FURTHER RECOVERY ACTION AT ALL. USNATO UNDERSTANDS THAT A PRESIDENTIAL EXCEPTION TO THE LEGAL REQUIREMENT TO TAKE RECOVERY ACTION COULD BE REQUESTED. THE BASIC RATIONALE FOR SUCH A REQUEST FOLLOWS:

A. IT APPEARS HIGHLY UNLIKELY THAT THE USG, IN CONTEMPLATION OF THE TOTAL ORIGINAL PROGRAM, EVER INTENDED TO RESERVE OWNERSHIP RIGHTS TO THE RELATIVELY LOW VALUE MAINTENANCE FLOAT SHARE (ESTIMATED TO BE \$953,658) NOW IN DISPUTE. UNFROTUNATELY, IT APPEARS THAT THROUGH ADMINISTRATIVE OVERSIGHT THE MATTER
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PAGE 02 NATO 01618 02 OF 02 310023 Z

WAS NOT ADDRESSED IN CONTRACTUAL TERMS IN THE ORIGINAL OR SUPPLEMENTAL AGREEMENTS. THEREFORE, NOW AT THIS LATE DATE WE HAVE A LEGAL PROBLEM OF DISPOSITION OF JOINTLY- OWNED HARDWARE ITEMS.

B. THE USG WOULD BE REQUIRED TO INITIATE A SIZEABLE ADMIN- STRATIVE EFFORT, WITH ACCOMPANYING HIGH COSTS, TO RECOVER EITHER CASH OR HARDWARE FROM DENMARK, ITALY AND GREECE. ALTHOUGH SUCH COSTS PROBABLY WOULD BE OFFSET BY THE CASH OR ITEMS RECOVERED, IN GENERAL THE OVERALL RETURN ON INVESTED EFFORTS BALANCED AGAINST SOME DEGREE OF USG EMBARRASSMENT ACCRUING TO SUCH A LATE- DATE RECOVERY EFFORT DOES NOT APPEAR ATTRACTIVE.

C. SPECIFICALLY WITH REGARD TO DENMARK, A SMALL NATION ALREADY FACING REDUCTION OF ITS NATO COMMITMENT, RECOVERY IN CASH APPEARS UNLIKELY. ALTHOUGH THE US HAWK PROJECT MANAGER HAS STATED THAT HE CAN UTILIZE RECOVERED HARDWARE ITEMS IN THE US EQUIPMENT MODIFICATION PROGRAM, THE REAL RETURN ON INVESTED EFFORT BALANCED AGAINST THE ADVERSE EFFECT ON DENMARK APPEARS TO BE UNFAVORABLE.

D. ITALY HAS BEEN THE NATO NATION MOST EMPHATIC ABOUT THE NECESSITY FOR MAXIMUM EUROPEAN INDUSTRIAL INVOLVEMENT IN HELIP. RECOVERY ACTION AGAINST ITALY COULD HARDLY BE EXPECTED TO SWING ITALY TOWARD MAXIMUM US INDUSTRY PARTICIPATION IN HELIP OR TO FURTHER ITALIAN RELATIONSHIPS WITH REGARD TO OTHER COOPERATIVE DEVELOPMENT OR PRODUCTION EFFORTS.

E. RECOVERY FROM GREECE, WHICH ONLY RECENTLY HAS SEEN TERMINATION OF ITS GRANT AID ELIGIBILITY, DOES NOT APPEAR ATTRACTIVE. AN ADDITIONAL CONSIDERATION WITH GREECE IS THE CURRENTLY FAVORABLE HAWK TEST SITUATION AT NATO MISSILE FIRING

INSTALLATION (NAMFI) SUDA BAY, CRETE, WHERE USAREUR IS ABLE TO FIRE HAWK BATTERIES AT APPROXIMATELY ONE- THIRD THE COST PER TARGET PRESENTATION WHICH THE US EXPENDS AT WHITE SANDS MISSILE RANGE. IT IS UNLIKELY THAT US INTERESTS IN THIS AREA WOULD BE WELL SERVED BY AN UNTIMELY RECOVERY ACTION AGAINST GREECE.

F. US REP PREFERS TO EXPLORE DISCREETLY AT THE APRIL BOD MEETING RAMIFICATIONS OF PRELIMINARY ASSESSMENT OUTLINED ABOVE. FINAL RECOMMENDATION WILL BE SUBMITTED WITH REPORT OF CONFIDENTIAL

PAGE 03 NATO 01618 02 OF 02 310023 Z

BOD MEETING.

5. AS FOLLOW- UP TO USNATO (COL LUNCH) AND STATE (MR REHFELD) DISCUSSIONS ON SUBJECT OF RAYTHEON CONCERN ABOUT HELIP CONTRACT (REF D), US REP WILL FURTHER EVALUATE SITUATION WITH REGARD TO THE HELIP CONTRACT AWARD PROCEDURES. SUGGESTIONS, IF APPROPRIATE, FOR STATE AND EMBASSY ASSISTANCE WILL BE INCLUDED IN REPORTING TELEGRAM. REQUEST NOW THAT APPROPRIATE EMBASSY ADDRESSEES PROVIDE USNATO WITH ANY OBSERVATIONS ON PRELIMINARY ASSESSMENT OUTLINED IN PARAGRAPH 4.

6. REQUEST APPROVAL AND/ OR ALTERNATIVE GUIDANCE BE PROVIDED US BOD MEMBER, INFO USNATO- HAWK LIAISON OFFICE (USNAHALO), NLT 8 APRIL.
RUMSFELD

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